

Aug. 10, 2012 Letter - Att. 7 (pt. 2)

**INDEPENDENT ACCOUNTANTS' REPORT**

Universal Service Administrative Company  
Federal Communications Commission

We were engaged to examine the compliance of Coral Wireless LLC d/b/a Mobi PCS (Beneficiary), relative to Study Area Code No. 629002, with 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules and related Orders governing Universal Service Support for the High Cost Program ("HCP") relative to disbursements of \$14,971,972 for telecommunication services made from the Universal Service Fund during the year ended June 30, 2008. Management of the Beneficiary is responsible for the Beneficiary's compliance with those requirements.

As discussed in Finding HC2008BE126\_F01, FCC Rule §54.307(b) defines working loops for competitive eligible telecommunications carriers as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. The Beneficiary interprets the term working loop to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date. During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as working loops and includes them in line counts submitted in accordance with FCC Rule §54.307. Line counts are used in the calculation of the Beneficiary's Universal Service Support, which totaled \$14,971,972 for the year ended June 30, 2008. We were unable to satisfy ourselves concerning the acceptability of the inclusion of lines 60 to 90 days preceding their disconnect date as the FCC Rules do not clearly indicate these lines would be considered other than working loops as described above.



This report is intended solely for the information and use of the Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties.

INSERT DATE

cc: Management of the Beneficiary

**CONFIDENTIAL**

**ATTACHMENT 33**

Aug. 10, 2012 Letter - Att. 7 (pt. 2)

**ATTACHMENT:**  
**FINDING**

Aug. 10, 2012 Letter - Att. 7 (pt. 2)

**Detailed Information Relative to Material Noncompliance (Finding)**

<b>Finding No.</b>	HC2008BE126_F01
<b>Condition</b>	<div style="background-color: black; width: 100%; height: 100%;"></div>
<b>Criteria</b>	<p>Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier ("CETC") may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.</p> <p>Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC's as the number of working Exchange Line C&amp;WF loops used jointly for exchange and message telecommunications service, including C&amp;WF subscriber lines associated with pay telephones in C&amp;WF Category 1, but excluding WATS closed end access and TWX service.</p>
<b>Effect</b>	<div style="background-color: black; width: 100%; height: 100%;"></div>
<b>Cause</b>	<div style="background-color: black; width: 100%; height: 100%;"></div>
<b>Monetary Impact on Support</b>	<div style="background-color: black; width: 100%; height: 100%;"></div>
<b>Recommendation</b>	The Beneficiary should seek guidance from the FCC on whether their policy, including the interpretation of a working loop is in keeping with the FCC Rules.
<b>Management Response</b>	Coral Wireless, LLC, d/b/a Mobi PCS ("Coral"), hereby responds to the Independent Accountants' ("Deloitte") Report on Compliance Relating to High Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS (HC-2008-126) for the Year Ended June 30, 2008 (the "Report"). Coral provides pre-paid mobile services. Apart from Section 54.307(c) of the FCC's Rules, no FCC rules, orders

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or decisions explicitly address the definition of competitive eligible telecommunications carrier ("CETC") "working loops" for universal service support purposes. Indeed, on October 27, 2003, the FCC denied a petition filed by the Personal Communications Industry Association ("PCIA") requesting clarification of the definition of "working loops" as applied to wireless CETCs on the grounds that

[t]he issues raised by PCIA are within the scope of the separate proceeding to comprehensively reexamine the Commission's rules governing portability of high-cost support, which is currently before the Joint Board. *We emphasize that our denial of PCIA's petition here does not in any way prejudice what action we ultimately may take in the portability proceeding.*

*Federal-State Joint Board on Universal Service*, 18 FCC Rcd 22559, 22639 (2003) (emphasis added); see also Petition for Reconsideration and/or Clarification of the Personal Communications Industry Association, CC Docket No. 96-45 (filed Jan. 3, 2000) at 5 ("PCIA requests that the Commission clarify or, as necessary, reconsider this requirement with respect to wireless carriers and find that a "working loop" for a wireless carrier is designated by a working phone number."). The Commission has yet to take any action in the portability proceeding, and thus any clarification of Section 54.307(c) of the FCC's rules by the Commission would have to apply on a prospective basis only. In light of the Commission's pending consideration of the clarification of the definition of "Working Loop" as applied to wireless CETCs, Coral interprets the term "Working Loop" to include any line from the moment Coral connects the line by assigning a particular telephone number to, or porting in a particular telephone number on behalf of, a specific customer until Coral disconnects the line and returns that telephone number to Coral's available inventory for assignment to a new customer on a first come, first served basis or releases it to the carrier from which it was ported in to Coral on behalf of the former customer (Coral does not hold telephone numbers on reserve for customers in anticipation of the establishment of an account or on a seasonal basis). Coral determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy. As a provider of pre-paid mobile services, a customer can purchase more pre-paid services at any time until the customer's line is disconnected pursuant to the disconnection policy. As such, until the day of disconnection pursuant to the disconnection policy, it is impossible to know whether a customer's line will be disconnected or not. Therefore, Coral's interpretation of Section 54.307(c) of the FCC's rules is reasonable and consistent with FCC precedent.



April 21, 2011

Mr. Barry Rinaldo  
Coral Wireless d/b/a Mobi PCS  
Chief Financial Officer  
733 Bishop St., Suite 1200  
Honolulu, HI 96813

Re: Coral Wireless d/b/a Mobi PCS Report HC-2008-126

Dear Mr. Rinaldo:

The Universal Service Administrative Company (USAC) at the direction of the Federal Communication Commission (FCC or Commission) Office of Inspector General (OIG), previously engaged the services of the independent accounting firm of Deloitte & Touché, LLP (Firm) to perform an examination and provide an opinion concerning Coral Wireless d/b/a Mobi PCS's (Coral Wireless) compliance with 47 C.F.R. Part 54, relevant sections of 47 C.F.R. Parts 32, 36, 64, and 69, and relevant Commission orders (collectively, the Rules) and to assist in fulfilling FCC requirements related to the Improper Payment Information Act (IPIA)<sup>1</sup> relative to specific study area High Cost Program (HCP) support disbursements made by USAC during the period July 1, 2006 through June 30, 2007 (Audit Period).

[REDACTED]

The USAC Internal Audit Division (IAD) reviewed the audit work papers and supporting documentation completed by the Firm, including the working loop audit finding noted by the Firm. IAD determined that the Firm has obtained adequate documentation to support the working loop finding.

IAD would like to extend the opportunity for Coral Wireless to review the Firm's updated finding and Coral Wireless' original response. Please see the enclosure. If Coral Wireless would like to provide additional documentation or update its response, please provide such information by **May 6, 2011**.

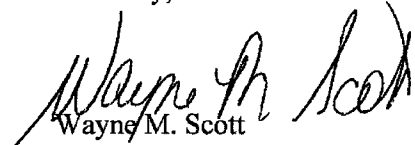
If there are any matters or issues that you would like to make us aware of, or if you have any questions or concerns, please feel free to contact Teleshia Delmar or myself at 202-776-0200.

<sup>1</sup> See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, November 26, 2002.



Thanking you in advance for your full cooperation.

Sincerely,

  
Wayne M. Scott  
Vice President  
Internal Audit Division

disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.

[REDACTED]

[REDACTED]

[REDACTED] in accordance with Federal Communications Commission ("FCC") Rule §54.307.

**Monetary Impact  
on Support**

[REDACTED]

**Beneficiary Response**

Coral Wireless, LLC, d/b/a Mobi PCS ("Coral"), hereby responds to the Independent Accountants' ("Deloitte") Report on Compliance Relating to High Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS (HC-2008-126) for the Year Ended June 30, 2008 (the "Report"). Coral provides pre-paid mobile services. Apart from Section 54.307(c) of the FCC's Rules, no FCC rules, orders or decisions explicitly address the definition of competitive eligible telecommunications carrier ("CETC") "working loops" for universal service support purposes. Indeed, on October 27, 2003, the FCC denied a petition filed by the Personal Communications Industry Association ("PCIA") requesting clarification of the definition of "working loops" as applied to wireless CETCs on the grounds that

[t]he issues raised by PCIA are within the scope of the separate proceeding to comprehensively reexamine the Commission's rules governing portability of high-cost support, which is currently before the Joint Board. *We emphasize that our denial of PCIA's petition here does not in any way prejudge what action we ultimately may take in the portability proceeding.*

*Federal-State Joint Board on Universal Service*, 18 FCC Rcd 22559, 22639 (2003) (emphasis added); *see also* Petition for Reconsideration and/or Clarification of the Personal Communications Industry Association, CC Docket No. 96-45 (filed Jan. 3, 2000) at 5 ("PCIA requests that the Commission clarify or, as necessary, reconsider this requirement with respect to wireless carriers and find that a "working loop" for a wireless carrier is designated by a working phone number."). The Commission has yet to take any action in the portability proceeding, and thus any clarification of Section 54.307(c) of the



FCC's rules by the Commission would have to apply on a prospective basis only. In light of the Commission's pending consideration of the clarification of the definition of "Working Loop" as applied to wireless CETCs, Coral interprets the term "Working Loop" to include any line from the moment Coral connects the line by assigning a particular telephone number to, or porting in a particular telephone number on behalf of, a specific customer until Coral disconnects the line and returns that telephone number to Coral's available inventory for assignment to a new customer on a first come, first served basis or releases it to the carrier from which it was ported in to Coral on behalf of the former customer (Coral does not hold telephone numbers on reserve for customers in anticipation of the establishment of an account or on a seasonal basis). Coral determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy. As a provider of pre-paid mobile services, a customer can purchase more pre-paid services at any time until the customer's line is disconnected pursuant to the disconnection policy. As such, until the day of disconnection pursuant to the disconnection policy, it is impossible to know whether a customer's line will be disconnected or not. Therefore, Coral's interpretation of Section 54.307(c) of the FCC's rules is reasonable and consistent with FCC precedent.

If Coral Wireless does not respond to this letter with additional documentation or an updated response by **May 6, 2011**, IAD will submit the Firm's finding and Coral Wireless' original response (as noted above) to USAC management to determine what action, if any, is required. If USAC Management determines that corrective action is necessary, they will be in contact with you.



### **Scope of Work**

The audit procedures consisted of the following:

- Identify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date which were included in the line count filings as of September 30, 2006 and December 31, 2006.
- Quantify the number of lines reported as working loops during the 60-90 day period preceding the disconnect date that were included in the September 30, 2006 and December 31, 2006 filings where the phone numbers were returned to inventory, and service was not reactivated.
- Report the results of findings.

### **Audit Results**

#### **Background**

In the attestation engagement report dated March 10, 2010, the Firm reported that the Coral Wireless (the Beneficiary) interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer.

[REDACTED]

The lines do not appear to meet the definition of a working loop as the service is prepaid, meaning that the line is not revenue producing, and was not active as of September 30, 2006.

The finding provided below is similar to the finding noted in the original audit (HC-2008-126) with additional details provided.

#### **Condition**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue and are recognized on a straight-line basis

over the period of service.

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.



**Criteria**

In the Glossary to 47 CFR Part 36, a working loop is defined as a revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier ("CETC") may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.

Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of **working loops** it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC's as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service.

**Effect**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. As the wireless service is prepaid, the line ceases to be revenue producing at the end of the prepaid period, and thus should not be included in the filings.

**Cause**

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary



## MEMORANDUM

**To:** Karen Majcher, Vice President, High Cost and Low Income Division

**From:** Wayne Scott, Vice President, Internal Audit Division

**Date:** August 22, 2011

**Re:** Follow-up of Deloitte Audit of Coral Wireless d/b/a Mobi PCS  
(HC2008BE126)

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### Introduction

The Universal Service Administrative Company (USAC), at the direction of the Federal Communications Commission (FCC) Office of Inspector General (OIG), previously engaged the services of the independent accounting firm Deloitte and Touche', LLP (Firm) to perform an examination and provide an opinion concerning Coral Wireless d/b/a Mobi PCS (Coral Wireless or Beneficiary) compliance with 47 C.F.R. Parts 32, 36, 64, and 69, and relevant Commission orders (collectively, the Rules) and to assist in fulfilling FCC requirements related to the Improper Payment Information Act (IPIA)<sup>1</sup> for High Cost Program support disbursements made by USAC during the period July 1, 2006 through June 30, 2007 (Audit Period). [REDACTED]

The USAC Internal Audit Division (IAD) reviewed the audit work papers and supporting documentation completed by the Firm, including the working loop finding noted by the Firm. IAD determined that the Firm has obtained adequate documentation to support the working loop finding.

### Background

In the attestation engagement report dated March 10, 2010, the Firm reported that the Coral Wireless (the Beneficiary) interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for

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<sup>1</sup> See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, November 26, 2002.

assignment to a new customer. The Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date, including limiting the customer's ability to only call 911 or call the Beneficiary to reactivate the line. The standard practice of the Beneficiary is to maintain an account in their switch and to maintain the telephone number for the customer for a period of 60 to 90 days beyond the service expiration date. Hence, even though a payment had not been received from the customer, the Beneficiary would maintain the line in the Beneficiary system such that it could immediately reactivate the line for the customer upon receipt of payment. During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as working loops and includes them in the line counts submitted in accordance with FCC Rule §54.307. The lines do not appear to meet the definition of a working loop as the service is prepaid, meaning that the line is not revenue producing, and was not active as of September 30, 2006.

The finding provided below is similar to the finding noted in the original audit (HC-2008-126) with additional details provided.

**Condition**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue and are recognized on a straight-line basis over the period of service.

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.

[REDACTED]

**Criteria**

In the Glossary to 47 CFR Part 36, a working loop is defined as a revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier ("CETC") may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the

subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.

Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of **working loops** it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC's as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service.

**Effect**

The Beneficiary provides wireless services on a month-to-month basis where the services are paid in advance. As the wireless service is prepaid, the line ceases to be revenue producing at the end of the prepaid period, and thus should not be included in the filings.

**Cause**

The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.

Pursuant to the terms and conditions of the Beneficiary's service, each customer agrees that the Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date.

During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as "working loops" and includes them in line counts submitted in accordance with Federal Communications Commission ("FCC") Rule §54.307.

**Monetary Impact  
on Support**

[REDACTED]

**Beneficiary Response**

Please see enclosure.

**Conclusion**

We have evaluated the validity of the Beneficiary's response to the finding and we are in agreement with the Firm's finding. Therefore, for the reasons discussed herein, we recommend USAC management seek recovery of

[REDACTED]



# **Universal Service Administrative Company High Cost Support Mechanism**

**Independent Accountants' Report on Compliance Relating to High  
Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS  
(HC-2008-126) for the Year Ended June 30, 2008**





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## INDEPENDENT ACCOUNTANTS' REPORT

Universal Service Administrative Company  
Federal Communications Commission

We were engaged to examine the compliance of Coral Wireless LLC d/b/a Mobi PCS (Beneficiary), relative to Study Area Code No. 629002, with 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules and related Orders governing Universal Service Support for the High Cost Program ("HCP") relative to disbursements of \$14,971,972 for telecommunication services made from the Universal Service Fund during the year ended June 30, 2008. Management of the Beneficiary is responsible for the Beneficiary's compliance with those requirements.

As discussed in Finding HIC2008BE126\_F01, FCC Rule §54.307(b) defines working loops for competitive eligible telecommunications carriers as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. The Beneficiary interprets the term working loop to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date. During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as working loops and includes them in line counts submitted in accordance with FCC Rule §54.307. Line counts are used in the calculation of the Beneficiary's Universal Service Support, which totaled \$14,971,972 for the year ended June 30, 2008. We were unable to satisfy ourselves concerning the acceptability of the inclusion of lines 60 to 90 days preceding their disconnect date as the FCC Rules do not clearly indicate these lines would be considered other than working loops as described above.

[REDACTED]

This report is intended solely for the information and use of the Universal Service Administrative Company and the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 5, 2010

cc: Management of the Beneficiary

**ATTACHMENT  
FINDING**

### **Detailed Information Relative to Material Noncompliance (Finding)**

<b>Finding No.</b>	IIC2008BE126_F01
<b>Condition</b>	<p>The Beneficiary interprets the term "Working Loop" to include any line from the moment the Beneficiary connects the line by assigning a particular telephone number to a specific customer until the Beneficiary disconnects the line and returns that telephone number to available inventory for assignment to a new customer. The Beneficiary determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy.</p> <p>Pursuant to the terms and conditions of the Beneficiary's service, each customer agrees that the Beneficiary has the right to place various limits upon the service in the 60 to 90 days preceding the disconnect date.</p> <p>During the 60 to 90 days preceding the disconnect date, the Beneficiary considers these lines as "working loops" and includes them in line counts submitted in accordance with Federal Communications Commission ("FCC") Rule §54.307.</p>
<b>Criteria</b>	<p>Federal Communications Commission (FCC) Rule §54.307(a) provides that a competitive eligible telecommunications carrier ("CETC") may receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.</p> <p>Under FCC Rule §54.307(b), in order to receive support, a competitive eligible telecommunications carrier must report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. FCC Rule §54.307(b) defines working loops for CETC's as the number of working Exchange Line C&amp;WF loops used jointly for exchange and message telecommunications service, including C&amp;WF subscriber lines associated with pay telephones in C&amp;WF Category 1, but excluding WATS closed end access and TWX service.</p>
<b>Effect</b>	It is unclear whether the inclusion of lines during the 60 to 90 days preceding the disconnect date is in accordance with the definition of a working loop in Section 54.307(b).
<b>Cause</b>	Apart from Section 54.307(b) of the FCC's Rules, no FCC rules, orders or decisions explicitly address the definition of CETC working loops for universal service support purposes.
<b>Monetary Impact on Support</b>	[REDACTED]
<b>Recommendation</b>	The Beneficiary should seek guidance from the FCC on whether their policy, including the interpretation of a working loop is in keeping with the FCC Rules.

**Management<sup>1</sup>  
Response**

Coral Wireless, LLC, d/b/a Mobi PCS ("Coral"), hereby responds to the Independent Accountants' ("Deloitte") Report on Compliance Relating to High Cost Support Received by Coral Wireless LLC d/b/a Mobi PCS (IIC-2008-126) for the Year Ended June 30, 2008 (the "Report"). Coral provides pre-paid mobile services. Apart from Section 54.307(c) of the FCC's Rules, no FCC rules, orders or decisions explicitly address the definition of competitive eligible telecommunications carrier ("CETC") "working loops" for universal service support purposes. Indeed, on October 27, 2003, the FCC denied a petition filed by the Personal Communications Industry Association ("PCIA") requesting clarification of the definition of "working loops" as applied to wireless CETCs on the grounds that [t]he issues raised by PCIA are within the scope of the separate proceeding to comprehensively reexamine the Commission's rules governing portability of high-cost support, which is currently before the Joint Board. *We emphasize that our denial of PCIA's petition here does not in any way prejudice what action we ultimately may take in the portability proceeding.*

*Federal-State Joint Board on Universal Service*, 18 FCC Red 22559, 22639 (2003) (emphasis added); *see also* Petition for Reconsideration and/or Clarification of the Personal Communications Industry Association, CC Docket No. 96-45 (filed January 3, 2000) at 5 ("PCIA requests that the Commission clarify or, as necessary, reconsider this requirement with respect to wireless carriers and find that a "working loop" for a wireless carrier is designated by a working phone number."). The Commission has yet to take any action in the portability proceeding, and thus any clarification of Section 54.307(c) of the FCC's rules by the Commission would have to apply on a prospective basis only. In light of the Commission's pending consideration of the clarification of the definition of "Working Loop" as applied to wireless CETCs, Coral interprets the term "Working Loop" to include any line from the moment Coral connects the line by assigning a particular telephone number to, or porting in a particular telephone number on behalf of, a specific customer until Coral disconnects the line and returns that telephone number to Coral's available inventory for assignment to a new customer on a first come, first served basis or releases it to the carrier from which it was ported in to Coral on behalf of the former customer (Coral does not hold telephone numbers on reserve for customers in anticipation of the establishment of an account or on a seasonal basis). Coral determines the date upon which a customer's line will be disconnected pursuant to its disconnection policy. As a provider of pre-paid mobile services, a customer can purchase more pre-paid services at any time until the customer's line is disconnected pursuant to the disconnection policy. As such, until the day of disconnection pursuant to the disconnection policy, it is impossible to know whether a customer's line will be disconnected or not. Therefore, Coral's interpretation of Section 54.307(c) of the FCC's rules is reasonable and consistent with FCC precedent.

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<sup>1</sup> Although we have included management's written responses to our finding, such response has not been subjected to the examination procedures applied in our examination and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective action described therein.



February 9, 2009

Barry Rinaldo  
Chief Financial Officer  
Coral Wireless LLC d/b/a Mobi PCS  
733 Bishop Street, Suite 1200  
Honolulu, HI 96813

Patricia DiMaria  
Federal AERS Senior Manager  
Deloitte & Touche, LLP  
1750 Tysons Blvd., Suite 800  
McLean, VA 22102-4219

Dear Ms. DiMaria:

Pursuant to our teleconference of February 6, 2009, I hereby submit the management representation letter that you requested to be forwarded to your attention at the beginning of the audit process.

Management of Coral Wireless LLC, d/b/a Mobi PCS (the "Beneficiary") is responsible for ensuring the Beneficiary's compliance with applicable requirements of 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules as well as FCC Orders governing Universal Service Support for the High Cost Program ("HCP").

Management has performed an evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54, Subparts C and D of the FCC's Rules as well as FCC Orders governing Universal Service Support for the HCP with respect to disbursements made from the Universal Service Fund ("USF") for the twelve-month period ended June 30, 2008, without respect to when the disbursements were received by the Beneficiary, relative to Study Area Code ("SAC") No. 629002. Based on this evaluation, we assert that the Beneficiary complied with all applicable requirements of 47 C.F.R. Part 54, Subparts C and D in all material respects.

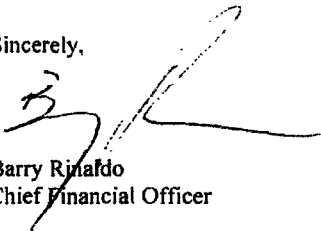
**The Beneficiary represents the following assertions per the applicable FCC Rules and related FCC Orders (which are identified herein with the assertion) with respect to HCP disbursements from the USF relative to SAC No. 629002:**

- A. Part 54: Subpart C – Carriers Eligible for Universal Service Support – The Beneficiary (SAC No. 629002)**
1. *ETC* – has obtained designation as an Eligible Telecommunications Carrier ("ETC") (47 C.F.R. § 54.201(d)).
  2. *Document Retention* – has retained all records required to demonstrate to auditors that the support received was consistent with the universal service high-cost program rules (47 C.F.R. § 54.202(e)).
- B. Part 54: Subpart D – Universal Service Support for High Cost Areas – The Beneficiary (SAC No. 629002):**
1. *Support to competitive eligible telecommunications carrier* – is a competitive eligible telecommunications carrier and has provided the Universal Service Administrative Company

("USAC") with the number of working loops<sup>1</sup> pursuant to the schedule set forth in 47 C.F.R. § 54.307(c) or (d)<sup>2</sup>, as applicable (47 C.F.R. § 54.307(b)).

2. *State certification of support for non-rural carriers* – has verified that the annual certification on behalf of the Beneficiary (in compliance with the format and filing deadline described in 47 C.F.R. § 54.313(c) and (d)<sup>3</sup>) was filed with USAC and the Commission<sup>4</sup> stating that all federal high cost support provided to the Beneficiary within the state will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended (47 C.F.R. § 54.313(a) and (b)).
3. *State certification of support for rural carriers* – has verified that the annual certification on behalf of the Beneficiary (in compliance with the format and filing deadline described in 47 C.F.R. § 54.314(c) and (d)<sup>5</sup>) was filed with USAC and the Commission<sup>6</sup> stating that all federal high cost support provided to the Beneficiary within the state will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended (47 C.F.R. § 54.314(a) and (b)).
4. *Carriers not subject to State jurisdiction* – has filed the annual certification (in compliance with the format and filing deadline described in 47 C.F.R. § 54.313(c) and (d)<sup>7</sup> and 47 C.F.R. § 54.314(c) and (d)<sup>8</sup>) with USAC and the Commission<sup>9</sup> stating that all federal high cost support provided to the Beneficiary within the state will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended (47 C.F.R. § 54.313(a) and (b) and 47 C.F.R. § 54.314(a) and (b)).

Sincerely,



Barry Rinaldo  
Chief Financial Officer

Cc: Peter Gose, Director Regulatory Affairs

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<sup>1</sup> Data must be provided using FCC Form 525 "High Cost Support Mechanism – Competitive Carrier Line Count Report" and certified by an officer or employee of the Beneficiary, stating that his/her responsibilities include ensuring the accuracy of the actual data reported on the form, and to the best of his/her knowledge, the information reported on the form is accurate.

<sup>2</sup> 47 C.F.R. § 54.307(c) and (d).

<sup>3</sup> 47 C.F.R. § 54.313(c) and (d).

<sup>4</sup> The Commission relies on the certification provided to USAC.

<sup>5</sup> 47 C.F.R. § 54.314(c) and (d).

<sup>6</sup> The Commission relies on the certification provided to USAC.

<sup>7</sup> 47 C.F.R. § 54.313(c) and (d).

<sup>8</sup> 47 C.F.R. § 54.314(c) and (d).

<sup>9</sup> The Commission relies on the certification provided to USAC.

Coral Wireless LLC dba  
**mobi**

March 5, 2010

Deloitte & Touche LLP  
1750 Tysons Boulevard  
McLean, Virginia 22102

We are providing this letter in connection with your engagement to examine the compliance of Coral Wireless LLC d/b/a Mobile PCS (the "Beneficiary") regarding the Beneficiary's compliance, relative to Study Area Code No. 629002, with 47 C.F.R. Part 54, Subparts C and D of the Federal Communications Commission's ("FCC") Rules and related Orders ("Rules and Orders") governing Universal Service Support for the High Cost Program relative to disbursements of \$14,971,972 for telecommunication services made from the Universal Service Fund during the year ended June 30, 2008. Accordingly, the Beneficiary confirms the following:


- a. Management is responsible for complying, relative to Study Area Code No. 629002, with the FCC Rules and Orders governing Universal Service Support for the High Cost Program ("HCP").
- b. The Beneficiary is responsible for establishing and maintaining effective internal control over compliance with the FCC Rules and Orders.
- c. Management has performed an evaluation of the Beneficiary's compliance, relative to Study Area Code No. 629002, with the FCC Rules and Orders for the year ended June 30, 2008, and the Beneficiary believes that it has fully complied with the FCC Rules and Orders for the year ended June 30, 2008.

The Beneficiary confirms to the best of its knowledge and belief, the following representations made to you during your engagement:

- 1) [REDACTED]
2. The Beneficiary has made available all records and documentation related to compliance with the FCC Rules and Orders.
3. The Beneficiary has disclosed all communications from regulatory agencies, internal auditors, and others concerning possible noncompliance with the FCC Rules and Orders, including communications received subsequent to June 30, 2008.

4. The Beneficiary has no knowledge of any fraud or suspected fraud affecting the Beneficiary involving (1) management, (2) employees who have significant roles in internal control over compliance, or (3) others where the fraud could have a material effect on compliance with the FCC Rules and Orders.
5. There were no allegations of fraud or suspected fraud affecting the Beneficiary received in communications from employees, former employees, analysts, regulators, short sellers, or others that could have a material effect on compliance with the FCC Rules and Orders.
6. No instances of noncompliance with the FCC Rules and Orders occurred subsequent to June 30, 2008 and through the date of this letter.
7. The Beneficiary used all of the \$14,971,972 in federal high cost support provided to the Beneficiary for the year ended June 30, 2008 solely for the provision, maintenance and upgrading of facilities and services for which support is intended.

8. [REDACTED]

  
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Barry Rhaldo  
Chief Financial Officer  
On Behalf of Coral Wireless LLC





Universal Service Administrative Company

Internal Audit Division

## **Internal Audit Division FCC OIG Audit Program Response**

**Date:** May 3, 2010

**Subject:** Improper Payment Information Act (IPIA) Audit of the High Cost Program of Coral Wireless LLC d/b/a Mobi PCS HC-2008-126

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### **Introduction**

The Universal Service Administrative Company (USAC), at the direction of the Federal Communication Commission (FCC) Office of Inspector General (OIG), previously engaged the services of an audit firm to provide an opinion concerning the Beneficiary's compliance with 47 C.F.R. Part 54 (the Rules) and to assist in fulfilling FCC requirements related to the Improper Payment Information Act (IPIA)<sup>1</sup> for High Cost (HC) Program support disbursements. The period under audit was for disbursements made by USAC during the period July 1, 2007 through June 30, 2008 (Audit Period). [REDACTED]

### **Proposed Action**

Based on a directive from the FCC OIG<sup>2</sup>, received 1/30/08 instructing USAC to conduct follow-up work on outsourced audits where no improper payment amount was determined, a follow-up audit will ensue regarding the disclaimed opinion. The main purpose of the follow-up audit will be to determine a revised improper payment amount and a monetary effect. USAC's Internal Audit Division will communicate the follow-up audit course of action via an announcement letter and a Prepared by Client (PBC) list providing further directions. Any findings associated with the original audit will be addressed with the completion of the follow-up audit.

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<sup>1</sup> See 31 U.S.C. § 3122; Public Law 107-300, Stat. 2350, November 26, 2002.

<sup>2</sup> See Letter from Anthony J. Dale, Managing Director, FCC, to Scott Barash, Acting Chief Executive Officer, USAC (January 30, 2008)